



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
JESSAMINE COUNTY CLERK**

Calendar Year 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JESSAMINE COUNTY CLERK

Calendar Year 2001

The Auditor of Public Accounts has completed the Jessamine County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Net receipts decreased by \$3,171 from the prior calendar year. Revenues increased by \$1,096,544 over the prior year and disbursements increased by \$1,099,715.

Report Comments:

- Cash Drawer Shortages Should Be Reconciled And Monitored
- Accounts Receivable Ledger Should Be Reconciled And Verified On A Regular Basis
- Adjusting Entries To The House Account Should Be Monitored And Adequately Documented
- Lacks Adequate Segregation Of Duties
- The County Clerk Had A Deficit In Her Calendar Year 2001 Official Bank Account
- The County Clerk Should Remit All Obligations As Determined By Her Calendar Year 2001 Audit
- The County Clerk Had A Deficit In Her Calendar Year 2000 Official Bank Account
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Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable William Cassity, County Judge/Executive
Honorable Eva McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Jessamine County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable William Cassity, County Judge/Executive
Honorable Eva McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented comments and recommendations, included herein, which discusses the following report comments:

- Cash Drawer Shortages Should Be Reconciled And Monitored
- Accounts Receivable Ledger Should Be Reconciled And Verified On A Regular Basis
- Adjusting Entries To The House Account Should Be Monitored And Adequately Documented
- Lacks Adequate Segregation Of Duties
- The County Clerk Had A Deficit In Her Calendar Year 2001 Official Bank Account
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- The County Clerk Had A Deficit In Her Calendar Year 2000 Official Bank Account
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Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 27, 2002

JESSAMINE COUNTY
EVA McDANIEL, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 2001

Receipts

State Grant:

Library and Archives Grant	\$	24,534
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State Fees For Services:

Tax Bill Preparation Fee	\$ 2,658	
Registration of Voters	721	
Personal Expenses	12,704	
Fish and Wildlife Commission	179	16,262

Fiscal Court:

Tax Bill Preparation Fee	\$ 8,778	
Fiscal Court Clerk	6,000	
Election Commission	1,320	16,098

Licenses and Taxes:

Motor Vehicle-		
Licenses and Transfers	\$ 1,258,199	
Usage Tax	7,766,513	
Tangible Personal Property Tax	2,978,682	
Licenses-		
Fish and Game	4,057	
Marriage	13,144	
Beer and Liquor	100	
Deed Transfer Tax	162,883	
Delinquent Taxes	263,840	12,447,418

Fees Collected for Services:

Recordings-	
Deeds, Easements, and Contracts	\$ 26,999
Real Estate Mortgages	102,685
Chattel Mortgages and Financing Statements	98,497
Powers of Attorney	2,796
Lien Release Fees	9,884
Bail Bonds	441
Liens and Lis Pendens	4,581
Releases	31,737
Wills and Estate Settlements	1,003
Leases	307
All Other Recordings	8,971

JESSAMINE COUNTY
 EVA McDANIEL, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 2001
 (Continued)

Receipts (Continued)

Fees Collected for Services: (Continued)

Charges for Other Services-

Candidate Filing Fees	\$	800	
Copywork		15,174	
Notary Fees		10,593	
Postage		<u>5,732</u>	\$ 320,200

Other:

Child Victim Fund	\$	69	
Refunds and Overpayments		124,954	
Miscellaneous		<u>1,671</u>	126,694

Interest Earned:

Checking			12,003
Certificates of Deposit			<u>11,556</u>

Total Receipts \$ 12,974,765

Disbursements

State Grant

Library and Archive Grant	\$	24,534	
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Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	935,928	
Usage Tax		7,498,981	
Tangible Personal Property Tax		1,143,881	

Licenses, Taxes, and Fees-

Fish and Game		4,250	
Delinquent Tax		38,143	
Legal Process Tax		36,167	
Candidate Filing Fees		<u>480</u>	9,657,830

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	228,519	
Delinquent Tax		18,847	
Deed Transfer Tax		<u>154,739</u>	402,105

JESSAMINE COUNTY
 EVA McDANIEL, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 2001
 (Continued)

Disbursements (Continued)

Payments to Other Districts:

Tangible Personal Property Tax

Withers Memorial Library	\$	98,216
Jessamine County Health Department		46,108
Jessamine County Board of Education		1,096,138
Jessamine County Fire Department		42,838
North Jessamine Fire Department		8,141
City of Nicholasville		164,314
City of Wilmore		29,577

Delinquent Tax

Withers Memorial Library		10,890
Jessamine County Health Department		4,411
Jessamine County Board of Education		120,815
Jessamine County Fire Department		4,014
North Jessamine Fire Department		516
	\$	1,625,978

Payments to Sheriff 2,964

Payments to County Attorney 42,296

Operating Disbursements:

Personal Services

Deputies' Salaries	\$	425,836
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Other Charges-

Dues		2,090
Refunds		160,812
Clerk's Insurance and Bonds		201
Miscellaneous		3,000
Tax Bill Printing		5,313
Uncollected NSF Checks		641
		597,893

Total Disbursements \$ 12,353,600

JESSAMINE COUNTY
EVA McDANIEL, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS
Calendar Year 2001
(Continued)

Net Receipts		\$	621,165
Less: Statutory Maximum	\$	70,064	
Training		<u>2,189</u>	<u>72,253</u>
Excess Fees		\$	548,912
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 2001		\$	545,312
Payments to County Treasurer - March 14, 2002			<u>501,840</u>
Balance Due at Completion of Audit		\$	<u><u>43,472</u></u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
EVA McDANIEL, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

A schedule of excess of liabilities over assets is included in this report as a supplemental schedule.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

JESSAMINE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

As of December 31, 2000, the County Clerk had a balance of \$24,487 in her Library and Archives Grant Account. The grant account accumulated \$47 in interest during calendar year 2001 and expended \$24,534, leaving a zero balance as of December 31, 2001.

JESSAMINE COUNTY
EVA McDANIEL, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

As of December 31, 2001

Assets

Cash in Bank	\$ 606,814
Deposits in Transit	<u>264,529</u>
Total Assets	<u>\$ 871,343</u>

Liabilities

Paid Obligations-		
Outstanding Checks	\$ 331,796	
Outstanding Liabilities	<u>502,949</u>	
Total Paid Obligations		\$ 834,745
Unpaid Obligations:		
Excess Fees - 2001		<u>43,472</u>
Total Liabilities		<u>\$ 878,217</u>
Total Fund Deficit as of December 31, 2001		<u><u>\$ (6,874)</u></u>

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COMMENTS AND RECOMMENDATIONS

JESSAMINE COUNTY
EVA McDANIEL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

Calendar Year 2001

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

1. Cash Drawer Shortages Should Be Reconciled And Monitored

During our audit, we noted \$4,270 of reported cash drawer shortages. Cash drawer shortages are the result of funds being collected and recorded as a receipt but not deposited into the County Clerk's official bank account. We recommend that the County Clerk establish internal controls to reduce and/or eliminate cash drawer shortages. We also recommend that the County Clerk reconcile and monitor all cash drawer shortages.

County Clerk's Response:

All drawers are now balanced to dollar.

2. Accounts Receivable Should Be Reconciled And Verified On A Regular Basis

Based on our review of accounts receivable charge accounts and the fourth quarter financial statement, no reconciliation or verification of charges, credit memos, and/or payments on account was made. In some instances, the house account appears to have incorrectly charged for customer payments originally made by cash. We also noted that the 4th quarter financial statement reported an outstanding accounts receivable credit balance of \$12,706, while the general ledger reflects an outstanding accounts receivable debit balance of \$5,421 as of December 31, 2001. We recommend that individual changed accounts receivable transactions be verified on a test basis and accounts receivable subsidiary balances be reconciled to the general ledger totals and the 4th quarter financial statement on a regular basis.

County Clerk's Response:

No longer have a house account, reconciled, account receivable are reviewed periodically.

3. Adjusting Entries To The House Account Should Be Monitored And Adequately Documented

We noted \$2,729 of adjusting entries to the house account accounts receivable account. The only appropriate use of adjustments of this nature is for the posting of NSF check amounts. These amounts are questionable since they are not identified with a transaction number. Therefore, one cannot determine the validity of the transaction. We recommend the clerk print a listing of all adjusting entries on a monthly basis and reconcile this printout to the associated transactions. We also recommend that the clerk maintain all documentation supporting these transactions.

County Clerk's Response:

As of September 19, 2001, no longer use house account use separate deposit for NSF.

JESSAMINE COUNTY
EVA McDANIEL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
Calendar Year 2001
(Continued)

4. Lacks Adequate Segregation Of Duties

During our audit, we noted that the County Clerk's collection, reporting and deposit duties were not adequately segregated. We also found that passwords used for access to computer terminals were not confidentially maintained and were not changed on a regular basis. In an effort to increase internal controls, we recommend the collection, reporting and deposit duties be segregated. We also recommend that the County Clerk implement controls to ensure that access to computer terminals be maintained securely. We further recommend that the County Clerk implement the following compensating controls:

- The Clerk should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any difference should be reconciled. The Clerk should document this by initialing the bank deposit slip, daily checkout sheet and receipts ledger.
- The Clerk should compare the quarterly financial statement to the receipts and disbursements ledger for accuracy. Any differences should be reconciled. The Clerk should document this by initialing the quarterly financial statement.
- The Clerk should periodically compare the bank reconciliation to the balance in the checkbook. Any difference should be reconciled. The Clerk should document this by initialing the bank reconciliation and the balance in the checkbook.

County Clerk's Response:

Procedures are now being used.

5. The County Clerk Had A Deficit In Her Calendar Year 2001 Official Bank Account

Based on audit procedures performed, the County Clerk had a deficit of \$6,874 in her official bank account as of December 31, 2001. This deficit is a result of uncollected accounts receivable and cash drawer shortages. We recommend the County Clerk take the appropriate action to eliminate this deficit in her official bank account.

County Clerk's Response:

NSF checks are being turned over to the court.

6. The County Clerk Should Remit All Obligations As Determined By Her Calendar Year 2001 Audit

As a result of our audit the County Clerk owes additional excess fees in the amount of \$43,472. This liability is reflected in the Schedule of Excess of Liabilities Over Assets. We recommend the County Clerk remit these obligations as determined by audit.

County Clerk's Response:

Excess fees are always turned over to Fiscal Court when the audit is finalized.

JESSAMINE COUNTY
EVA McDANIEL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
Calendar Year 2001
(Continued)

7. The County Clerk Had A Deficit In Her Calendar Year 2000 Official Bank Account

We were unable to determine the total deficit in the County Clerk's bank account as of December 31, 2000 due to the significance and complexity of a former deputy clerk's manipulation and falsification of the County Clerk's records. However, based on audit procedures performed, the County Clerk had a deficit of \$26,482 in her official bank account as of December 31, 2000. This deficit is a result of the former deputy clerk's manipulation of the County Clerk's records and cash drawer shortages. We recommend the County Clerk take the appropriate action to eliminate this deficit in her official bank account.

County Clerk's Response:

Appropriate action has been taken.

8. The County Clerk Should Remit All Obligations As Determined By Her Calendar Year 2000 Audit

As a result of our Calendar Year 2000 audit, the County Clerk still owes additional excess fees in the amount of \$47,946. We recommend the County Clerk remit these obligations as determined by audit.

County Clerk's Response:

Waiting for court action.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

All of the items listed above are considered material weaknesses.

PRIOR YEAR:

1. Cash Drawer Shortages Should Be Reconciled And Monitored - This comment is being repeated for calendar year 2001.
2. Accounts Receivable Ledger Should Be Reconciled And Verified On A Regular Basis - This comment is being repeated for calendar year 2001.
3. Accounts Receivable Credit Memos Should Be Properly Accounted For And Monitored - This has been corrected.
4. House Account Should Be Used Properly And Adequately Monitored - This has been corrected.
5. Adjusting Entries To The House Account Should Be Monitored And Adequately Documented - This comment is being repeated for calendar year 2001.

JESSAMINE COUNTY
EVA McDANIEL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
Calendar Year 2001
(Continued)

PRIOR YEAR: (Continued):

6. Lacks Adequate Segregation Of Duties - This comment is being repeated for calendar year 2001.
7. The County Clerk Had A Deficit In Her Official Bank Account - This comment is being repeated for calendar year 2001.
8. The County Clerk Should Remit All Obligations As Determined By Audit - This comment is being repeated for calendar year 2001.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Members of the Jessamine County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the financial statement of the Jessamine County Clerk for the year ended December 31, 2001, and have issued our report thereon dated June 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jessamine County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jessamine County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions are described in the accompanying comments and recommendations.

- Cash Drawer Shortages Should Be Reconciled And Monitored
- Accounts Receivable Ledger Should Be Reconciled And Verified On A Regular Basis
- Adjusting Entries To The House Account Should Be Monitored And Adequately Documented
- Lacks Adequate Segregation Of Duties
- The County Clerk Had A Deficit In Her Calendar Year 2001 Official Bank Account
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 27, 2002

